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October 10, 2005

*ALSO ADMITTED IN TX
**ALSO ADMITTED IN VA

VIA HAND-DELIVERY

The Honorable Charles L.A. Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

RECEIVED
2005 OCT 10 PM 12:25
SC PUBLIC SERVICE
COMMISSION

RE: Application of Carolina Water Service, Inc. for approval of a contract
with Ashworth Development Company and Hitchens Development
Company, d/b/a Heron Cove Joint Venture

Dear Mr. Terreni:

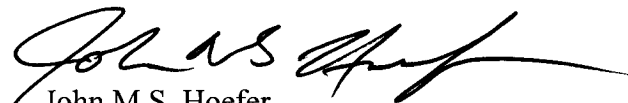
Enclosed for filing are the original and ten (10) copies of the Application of Carolina Water Service, Inc., in the above-referenced matter. By copy of this letter, I am serving a copy of these documents upon the Executive Director of the Office of Regulatory Staff and enclose a Certificate of Service to that effect.

I would appreciate your acknowledging receipt of this Application and Certificate by date-stamping the extra copies that are enclosed and returning it to me via our courier.

If you have any questions or if you need any additional information, please do not hesitate to contact us.

Sincerely,

WILLOUGHBY & HOEFER, P.A.


John M.S. Hoefer

JMSH/twb
Enclosures
cc: Honorable C. Dukes Scott

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2005-329 W/S

RECEIVED
2005 OCT 10 PM 12:26
SC PUBLIC SERVICE
COMMISSION

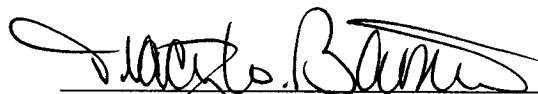
IN RE:

Application of Carolina Water
Service, Inc. for approval of a contract
with Ashworth Development Company
and Hitchens Development Company,
d/b/a Heron Cove Joint Venture.

CERTIFICATE OF SERVICE

This is to certify that I have caused to be served this day one (1) copy of the Application by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Honorable C. Dukes Scott
Executive Director
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211


Tracy W. Barnes

Columbia, South Carolina
This 10th day of October, 2005.

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA

DOCKET NO. 2005-329w/s

RECEIVED
2005 OCT 10 PM 12: 26
SC PUBLIC SERVICE
COMMISSION

IN RE:

Application of Carolina Water
Service, Inc. for approval of a contract
with Ashworth Development Company
and Hitchens Development Company,
d/b/a Heron Cove Joint Venture.

APPLICATION

Carolina Water Service, Inc. ("Applicant" or "Utility"), pursuant to Vol. 26 S.C. Code Ann. Regs. R.103-541 (Supp. 2004), hereby applies for approval of a contract between Applicant and Ashworth Development Company and Hitchens Development Company, d/b/a Heron Cove Joint Venture ("Developer"). In support of this Application, Applicant would respectfully show as follows:

1. Applicant is a public utility currently authorized to operate water and wastewater systems under the jurisdiction of the Commission in York County, as well as certain other counties in this state. Its corporate charter is presently on file with the Commission and an appropriate bond has been posted with same. A schedule of rates and charges for Applicant's service has previously been approved by the Commission in its Order No. 2005-328, dated June 22, 2005 in Docket No. 2004-357-WS.¹

¹ As the Commission is aware, Applicant has filed a petition for reconsideration of Order No. 2005-328 or, in the alternative, for approval of a bond pursuant to S.C. Code Ann. § 58-5-240(D)(Supp. 2004). The Commission has voted to deny reconsideration and to approve the proposed bond, but no order by the Commission to that effect has yet been issued.

2. The Applicant seeks approval of an agreement entered into between Applicant and the Developer dated September 14, 2005 ("Agreement"), a copy of which is attached hereto and incorporated herein by reference as Exhibit "A."

3. The Utility's River Hills System will serve the proposed development, which will consist of approximately sixty-six (66) residential units. The Agreement provides, *inter alia*, that the Developer will (a) construct and install all of the necessary water and sewer facilities ("Facilities") required to connect the proposed development to Utility's River Hills System and (b) acquire all necessary easements and rights-of-way ("Easements"). The Agreement also provides for the conveyance of the Easements, all water Facilities, and **certain** of the sewer Facilities from the Developer to Applicant. Due to the topography of the real property within the proposed development, approximately fifteen (15) lots or services will require installation of residential sewer pump stations and associated force mains or pressure pipes ("Pressure Pump Facilities"). The operation, maintenance and repair of the Pressure Pump Facilities will be the sole responsibility of the residential lot or service owner and not Applicant, such residential lot or service owner will be required to enter into an agreement to that effect to be filed in the real estate records of York County, and Applicant will have no obligation to provide sewer to any such residential lot or service unless and until such an agreement is executed and recorded. See Exhibit "A" Article II, §§ 6 and 10.

4. The proposed development is within Applicant's Commission authorized Service Area in York County and the area franchised to Applicant by York County. Accordingly, no other public or governmental utility is authorized to serve the proposed development.

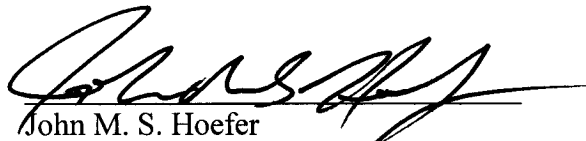
5. Under Article IV, § 2 of the Agreement, Applicant will provide service to the proposed development pursuant to all of the terms, conditions, rates and charges set forth in its

existing rate schedule as are on file with this Commission and in effect from time to time², subject to the terms and conditions of Article II, § 10.

6. Applicant submits that the public convenience and necessity will be served by the approval of this Agreement. Applicant further submits that no hearing in this matter is required. See S.C. Code Ann. § 58-5-240(G) (Supp.2004).

7. All correspondence and communications regarding this matter should be sent to the undersigned.

WHEREFORE, having fully set forth its Application, Applicant prays that the Agreement, be approved; that hearing on the within matter be waived or review of the within application be expedited, and that Applicant be granted such other and further relief as the Commission may deem just and proper.



John M. S. Hoefer

WILLOUGHBY & HOEFER, P.A.

1022 Calhoun Street, Suite 302

Post Office Box 8416

Columbia, South Carolina 29202-8416

803-252-3300

jhoefer@willoughbyhoefer.com

Attorneys for Applicant

Columbia, South Carolina
This 10th day of October, 2005

² Thus, upon implementation of the rates placed in effect under bond as requested by Applicant in its petition for rehearing in Docket No. 2004-357-WS, and upon any subsequent revisions to rates which may result from any appeal which may be taken from further Commission orders in that docket, the rates to be charged in the proposed development would change.

AGREEMENT FOR WATER AND SEWER SERVICEHERON COVE SUBDIVISIONYORK COUNTY, SC

This Agreement is entered into this 14th day of September, 2005 by and between Ashworth Development Company and Hitchens Development Company, d.b.a. Heron Cove Joint Venture, (hereinafter referred to as "Developer"), and Carolina Water Service, Inc., a South Carolina corporation (hereinafter referred to as "Utility").

WITNESSETH

WHEREAS, Developer is the owner of or is duly authorized to act on behalf of the owners of certain real estate located off of SC Hwy. 49 in York County, South Carolina, hereinafter referred to as the "Property" (see "Exhibit 1"); and,

WHEREAS, Developer desires to develop the Property into a residential development to be called "Heron Cove Subdivision" which will contain approximately (66) single family residences when completed; and,

WHEREAS, Utility is a public utility engaged in the business of furnishing water and sewer service to the public in its designated River Hills/Lake Wylie Franchised Service Territory located in York County. The Utility desires to have constructed and installed, and the Developer desires to construct and install, the water distribution and wastewater collection facilities to serve the Property subject to the terms and conditions of this Agreement; and

WHEREAS, Developer desires Utility to provide water and wastewater utility service within the Property and Utility desires to provide water and wastewater utility service according to the terms and conditions of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants as hereinafter set forth, the parties hereto agree as follows:

ARTICLE IRepresentations and Warranties of Developer

Developer represents and warrants that:

1. Developer is the owner of or is duly authorized to act on behalf of the owners of the Property; and,
2. Developer will cooperate fully with the Utility in any and all applications or petitions to public authorities deemed necessary or desirable by Utility in connection with the

- construction and installation of the Facilities contemplated by this Agreement; and,
3. Developer will convey to the Utility or otherwise vest in the Utility such right, title and interest in and to such real estate as may be reasonably necessary to permit the Utility to carry out the terms and conditions of this Agreement; and,
 4. Developer will convey to Utility or provide by recorded subdivision plats such easements or rights of way as the Utility may reasonably require for the Utility's performance of its obligations under this Agreement. Any such plats, conveyances or licenses will be in form reasonably satisfactory to Utility's legal counsel.

ARTICLE II

Obligations and Construction of Facilities by Developer

1. Facilities

- Developer shall construct and install all necessary water distribution and wastewater collection facilities to serve the Property, including but not limited to mains, valves, fire hydrants, service laterals, meter boxes, meters, manholes, lift stations (with on-site back-up generators), force mains, odor control devices, and other facilities as are reasonably required to provide adequate water and wastewater service (herein referred to as the "Facilities"). Water distribution mains will have a minimum diameter of eight (8) inches, except where otherwise approved by Utility. Developer shall interconnect the water facilities to Utility's existing water distribution system as determined by Utility. Wastewater collection mains will have a minimum diameter of eight (8) inches, except where otherwise approved by Utility. Developer shall interconnect the wastewater facilities to Utility's wastewater system as determined by Utility.
2. All materials used by the Developer for said Facilities shall be new, first-class, and suitable for the uses made thereof. Developer guarantees all construction, materials, workmanship, and the trouble-free operation of the Facilities (or any portion of the Facilities) for one year after the Facilities (or such portion of the Facilities) are placed in service.
 3. All Facilities constructed and installed by Developer pursuant to this Article II shall be constructed and installed without cost or expense to Utility.
 4. All plans, specifications and construction of the Facilities shall be in accordance with applicable standards, requirements, rules and regulations of all governmental bodies and regulatory agencies which may have jurisdiction thereover, and shall have received the written approval of Utility before construction is begun, which approval shall not be unreasonably withheld or delayed.
 5. Developer shall save and hold Utility harmless from and against all suits or claims that

may be based upon any injury to any person or property that may occur in the course of the performance of the construction of the Facilities by Developer or by anyone acting on Developer's behalf, or under Developer's supervision and control, including but not limited to claims made by employees of Developer, and Developer shall, at its own cost and expense, pay all costs and other expenses arising therefrom, or incurred in connection therewith, including reasonable attorneys' fees.

6. Developer shall obtain, with cooperation from Utility, all requisite permits and zoning and other approvals and all else required to construct the Facilities.
7. All of the Facilities installed by Developer pursuant to this Agreement shall become the property of Utility as installed, with the exception of the service lines and residential lift stations and force mains for which each residential unit shall retain ownership and maintenance responsibility. Developer shall execute all conveyances, licenses and other documents reasonably requested by Utility as necessary or desirable in its opinion to ensure its ownership of, ready access to, and operation and maintenance of the Facilities. Developer shall convey the Facilities to Utility free and clear of all liens. Developer agrees to provide to Utility documentary evidence, in form satisfactory to Utility, sufficient to establish the original cost of the Facilities. Utility shall have, at all times, all right, title and interest in and to the Facilities.
8. Developer shall, prior to the transfer to Utility of the Facilities, grant permanent, assignable easements satisfactory to Utility, authorizing Utility to own, operate and maintain the Facilities throughout the Property and providing reasonably adequate rights of access and working space for such purposes.
9. Developer shall, upon transfer to Utility of the Facilities, provide to Utility as-built drawings, and all other information reasonably required to operate, maintain, and repair the Facilities.
10. Developer understands that any lot or service requiring a residential pump station shall meet additional requirements for sanitary sewer service. The residential pump stations and associated pressure pipe (hereinafter referred to as "**Pressure Pump Facilities**") within the lot boundaries will remain the sole property and responsibility of the property owner. Utility requires that an **ACKNOWLEDGEMENT AND AGREEMENT REGARDING SEWER SERVICE ("Acknowledgement and Agreement")** be executed for each lot or service requiring a residential pump station and that this Acknowledgement and Agreement be recorded in the applicable County Register of Deeds office to run with the property. Developer warrants and represents that in no event shall Utility be deemed to have responsibility or liability with regard to the installation,

maintenance, servicing, or operation of the Pressure Pump Facilities or any other sewer facilities located between the Pressure Pump Facilities and the boundaries of the Property (including, without limitation, any pumps, pipes, valves, or filters). This is a condition of service for any such applicable lot or service.

ARTICLE III

Representations and Warranties of Developer

1. Developer will not, and will not permit by restricted land covenant, any owner of real estate within the Property to construct or maintain any private well in the Property.
2. Neither Developer nor any entity or individual affiliated with Developer has executed or will execute any agreement with any lot purchaser in the Property, or any other parties or made any representations to any such purchasers or other parties whereunder such purchaser or other parties have acquired any interest in Facilities to be installed under this Agreement.

ARTICLE IV

Utility Services, Connection Fees, Rates and Charges

1. Upon installation of the Facilities and payment of connection fees, Utility agrees to supply all customers within the Property with adequate and customary water and sanitary sewer service, and to operate, maintain and repair all Facilities as indicated herein, after acceptance by Utility and issuance of operational approvals by all regulatory authorities.
2. Prior to the commencement of utility service, lot owners within the Property are responsible for the payment to Utility of water and sewer tap-on or connection fees, as well as the appropriate York County water and sewer tap-on or connection fees at the rate as in effect from time to time prior to the provision of utility service to any lot within the Property. Such fees, usage and all other incidental rates and charges shall be rendered by Utility in accordance with Utility's rates, rules and regulations and conditions of service on file with the South Carolina Public Service Commission (the "Commission") from time to time and then in effect. Developer acknowledges Utility's willingness to provide service is explicitly conditioned upon Utility's receipt of approval from York County to serve the Property.

ARTICLE V

General

1. Except as provided in this Agreement, neither party to this Agreement shall be liable to the other for failure, default or delay in performing any of its obligations hereunder, if such failure, default or delay is caused by strikes or other labor problems, by forces of nature, unavoidable accident, fire, acts of the public enemy, interference by civil authorities, acts or failure to act, decisions or orders or regulations of any governmental or military body or agency, office or commission, delays in receipt of materials, or any other cause, whether of similar or dissimilar nature, not within the control of the party affected and which, by the exercise of due diligence, such party is unable to prevent or overcome, except as otherwise provided for herein. Should any of the foregoing events occur, the parties hereto agree to proceed with diligence to do what is reasonable and necessary so that each party may perform its obligations under this Agreement.
2. Developer acknowledges that Utility's obligation to provide utility service is expressly conditioned upon the parties' mutual understanding that Utility has no obligation to install any additional water storage capacity to serve the Property.
3. The failure of either party hereto to enforce any of the provisions of this Agreement or the waiver thereof in any instance by either party shall not be construed as a general waiver or relinquishment on its part of any such provisions, but the same shall, nevertheless, be and remain in full force and effect.
4. The representations, warranties and agreements contained herein shall survive, and continue in effect. Utility agrees to indemnify Developer, its successors and assigns, and hold Developer harmless against any loss, damage, liability, expense or cost accruing or resulting from any misrepresentations or breach of any representation, warranty or agreement on the part of Utility under this Agreement; Developer agrees to indemnify Utility, its successors and assigns, and hold it and them harmless against any loss, damage, liability, expense or cost of Utility, accruing or resulting from any misrepresentation or breach of any representation, warranty or agreement on the part of Developer under this Agreement or from any misrepresentation in or material omission from any certificate or other document furnished or to be furnished to Utility by Developer.
5. This Agreement sets forth the complete understanding between Developer and Utility, and any amendments hereto to be effective must be made in writing.
6. Notices, correspondence and invoicing required hereunder shall be given to Developer and to Utility at the following addresses, or at any other addresses designated in writing by either party subsequent to the date hereof:

If to Utility:

Carolina Water Service, Inc.
2335 Sanders Road
Northbrook, Illinois 60062
Attn: Mr. James L. Camaren
Chairman and Chief Executive Officer

If to Developer:

Heron Cove Joint Venture
P.O. Box 6122
Charlotte, NC 28207-0001
Attn: Mr. John Maxwell

Delivery when made by registered or certified mail shall be deemed complete upon mailing. Delivery by overnight courier shall be deemed complete when delivered.

7. This Agreement may not be assigned by Developer without the written approval of Utility, which approval shall not be unreasonably withheld. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.
8. This Agreement shall be governed by the laws of the State of South Carolina.
9. If this Agreement is not executed prior to September 15, 2005, then the terms and conditions contained herein will be waived, with no further obligations or responsibilities to either party.

IN WITNESS WHEREOF, the parties hereto have set their seals the day
and year above first written.

Carolina Water Service, Inc.

By: [Signature]

Its: VICE PRESIDENT OF OPERATIONS

Attest:

[Signature]
Joy Rosen

~~Heron Cove Joint Venture~~

By: [Signature]

Its: Ashworth Development Corp

Attest:

[Signature]
HITCHER'S DEVELOPMENT L.L.C.